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Living in Hawaii

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Reports and Testimony: June 1991

Highlights

Resolution Trust Corp.

Anticipated costs of the savings and loan cleanup are expected to exceed the high end of RTC estimates, requiring additional billions of dollars from taxpayers. Meanwhile, problems continue to plague RTC in its handling of the thrift crisis. Page 13.

Canadian Health Care

Although a Canadian-style universal health insurance system in the United States could possibly save \$67 billion annually in administrative costs, any reform should retain the strengths of the current U.S. health care system, such as advanced medical technology, and leave room for alternative service delivery mechanisms, such as health maintenance organizations. GAO also found that the Canadian system results in delays for some types of care and that it is slow to adopt advanced technology. Page 22.

1990 Census

Almost 10 million people were missed by the 1990 census, making it the first census since 1940 in which the percentage of the population not counted actually rose. Page 20.

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Reports and Testimony: June 1991

Agriculture and Food

Federal Agricultural Mortgage Corporation: Issues Facing the Secondary Market for FmHA Guaranteed Loans

GAO/RCED-91-138, June 13 (36 pages).

The Federal Agricultural Mortgage Corporation (Farmer Mac) has made significant strides by establishing, within three months of being authorized to do so, the infrastructure and policy that will guide the operations of a secondary market for FmHA guaranteed loans. Farmer Mac faces several problems, however, in facilitating a viable secondary market. Challenges inherent in the market—lack of commonality among the loans, lack of lenders' need for liquidity, and low loan volume—may be difficult to address. Additionally, Farmer Mac may have to compete with the ad hoc market, in which sellers are offered purchase terms that appear to be more attractive. Farmer Mac's ability to distinguish itself from the ad hoc market is likely to depend on the value participants place on (1) a uniform infrastructure for selling loans and securities and (2) the guarantee of timely payment of principal and interest to investors. FmHA and Farmer Mac both have said that one result of a viable secondary market will be a rise in the number of guaranteed loans made. This increasing lending activity, however, may further expose the government to financial risks resulting from abuses in the guaranteed-loan program. GAO summarized this report in testimony before Congress; see:

Federal Agricultural Mortgage Corporation: Conditions May Slow Development of Secondary Markets, by John W. Harman, Director of Food and Agriculture Issues, before the Subcommittee on Conservation, Credit, and Rural Development, House Committee on Agriculture. GAO/T-RCED-91-66, June 13 (14 pages).

Testimony

Federal Dairy Programs: Dairy Inventory Management Alternatives, by John W. Harman, Director of Food and Agriculture Issues, before the Subcommittee on Livestock, Dairy, and Poultry, House Committee on Agriculture. GAO/T-RCED-91-70, June 18 (nine pages).

Any evaluation of changes in the U.S. dairy program should be viewed in light of the long-term objectives for this program, GAO testified. GAO continues to believe that the dairy industry needs to become more market-oriented. Making dairy production more responsive to market forces could provide a more permanent solution to periodic dairy surpluses as well as reduce the federal role in this industry. GAO doubts, however, whether any of the alternative programs described in the U.S.

Department of Agriculture's recent study on dairy inventory management would completely achieve this market-oriented goal. For example, some of these programs would increase export subsidies and others would require the use of production or marketing quotas. To help the adjustment process, a transitional program to reduce dairy production capacity may be needed. A temporary milk diversion program with some modifications regarding program design, timing of implementation and duration seems to offer the most potential as a transitional program to help the industry adjust.

Budget and Spending

Impoundments:

Release of an Unnecessary Impoundment of HHS Funds for State Legalization Assistance

GAO/OGC-91-9, June 11 (three pages).

On April 16, 1991, the President submitted to Congress his fourth special impoundment message for fiscal year 1991. This message reported one proposed rescission of budget authority totaling \$2.4 million from funds appropriated to the Department of Health and Human Services' Family Support Administration for interim assistance to states for legalization. The President's justification for the proposed rescission was that it would eliminate the need for a sequester of domestic discretionary resources in fiscal year 1991. In GAO's view, the Office of Management and Budget erred when it scored two provisions in the Dire Emergency Supplemental Appropriation as new budget authority. Since, in GAO's opinion, the language of the two provisions did not create any new budget authority, the discretionary spending cap was not breached. Accordingly, no mid-session sequester was necessary, and the proposed rescission was not needed.

Budget Issues:

RSPA Funding for Fiscal Years 1990 and 1991

GAO/RCED-91-164BR, June 28 (36 pages).

The Department of Transportation's Research and Special Programs Administration (RSPA) is responsible for several programs involving safety regulation, emergency preparedness, and research and development. GAO found that in fiscal years 1990 and 1991, RSPA shifted funds that had been recommended by congressional appropriations committees for program activities to fund additional personnel compensation

and administrative expenses. RSPA did not, however, obligate/allot funds in excess of its total appropriations for fiscal years 1990 and 1991. In the absence of specific statutory limitations, RSPA is legally free to move funds within its appropriation.

Business, Industry, and Consumers

Management Practices: U.S. Companies Improve Performance Through Quality Efforts

GAO/NSIAD-91-190, May 2 (42 pages).

Many U.S. firms, having discovered that traditional management approaches fail to produce goods and services known for world-class quality, are turning to "total quality management." In reviewing 20 companies that were among the top contenders for the Malcolm Baldrige National Quality Award in 1988 and 1989, GAO found that companies that adopted quality management practices experienced an overall improvement in corporate performance. In nearly every case, companies that used total quality management practices achieved better employee relations, higher productivity, greater customer satisfaction, increased market share, and improved profitability. While each company developed its practices in a unique environment with its own opportunities and problems, all of the companies' quality management systems had features in common that served to significantly improve performance. Many different kinds of companies benefited from putting specific total quality management practices in place. None of these companies, however, reaped benefits immediately. Allowing sufficient time for results to be achieved was as important as initiating a quality management program.

Small Business: Participation in SBA's (8)a Business Development Program

GAO/RCED-91-173, June 11 (21 pages).

The Minority Small Business and Capital Ownership Development Program, commonly known as the 8(a) program, is intended to promote small businesses owned by socially and economically disadvantaged individuals. This report provides information on (1) the number of Caucasian women in the 8(a) program, which is run by the Small Business Administration; (2) the number of these women who have sued SBA to gain entry; and (3) the criteria SBA uses to determine whether Caucasian women and others are socially disadvantaged.

Testimony

Small Business: SBA Incurs Substantial Losses on Liquidated Loans, by John M. Ols, Jr., Director of Housing and Community Development Issues, before the Senate Committee on Small Business. GAO/T-RCED-91-64, June 4 (eight pages).

The Small Business Administration has been experiencing heavy losses due to the liquidation of general business loans. During fiscal year 1989, the three SBA regions GAO reviewed lost a total of \$161 million on liquidated loans valued at \$256 million. These losses were incurred mainly because of insufficient collateral at the time the loans were liquidated. SBA considers collateral of secondary importance when making loans. As a result, SBA accepts inventory and accounts receivable as loan collateral, the value of which often declines during the life of a business. SBA regulations require that loan collateral be adequate to reasonably protect the interests of the government. However, the regulations also state that lack of collateral cannot normally be the sole basis for disapproving a loan. SBA emphasizes the latter when reviewing loan applications. Loan losses were also higher than necessary because SBA did not maximize recoveries on existing collateral.

Economic Development

Disaster Assistance: Supplemental Information on Hurricane Hugo in South Carolina

GAO/RCED-91-150, May 21 (eight pages).

The information provided in this report supplements GAO's earlier work entitled Disaster Assistance: Federal, State, and Local Responses to Natural Disasters Need Improvement (GAO/RCED-91-43, Mar. 6, 1991). This information pertains only to South Carolina; it includes the (1) the Federal Emergency Management Agency's efforts to provide temporary housing assistance to the victims of Hurricane Hugo, (2) the response of South Carolina counties' local emergency management officials to GAO's disaster assistance survey, and (3) cost-sharing arrangements between FEMA and state and local governments to fund public assistance projects in South Carolina.

Employment

Child Labor: Characteristics of Working Children

GAO/HRD-91-83BR, June 14 (52 pages).

According to Census Bureau data, about 28 percent of all 15-year olds and 51 percent of all 16- to 17-year-old children were employed some time during 1988. Children from low-income families (those with annual incomes of \$20,000 or less) were less likely to be employed than children from high-income families (those with annual incomes above \$60,000). Minority children were less likely to be employed than white children. When employed, children from low-income families were more likely to be employed in agriculture or other "hazardous industries," like manufacturing or construction. They also worked more hours a week but fewer weeks a year than children from high-income families. GAO estimates that in 1988, about 18 percent of employed 15-year-olds worked in violation of federal child labor regulations governing maximum hours or minimum ages for employment in certain occupations. During fiscal years 1983-90, the Department of Labor detected almost 1,500 violations associated with serious on-the-job injuries of working children. In fiscal year 1990, Labor assessed the maximum nonwillful violation penalty of \$1,000 only against child labor violators employing a child who was seriously hurt. Labor neither cited any of these employers for willful violations (for which the penalty could have been \$10,000), nor referred any for criminal prosecution.

Energy

Electricity Regulation: Issues Concerning the Hydroelectric Project Licensing Process

GAO/RCED-91-120, May 10 (12 pages).

The Federal Energy Regulatory Commission's general methodology for analyzing the economic and financial feasibility of proposed hydroelectric projects employs standard techniques for analyzing investment projects. FERC's analysis is not intended to guarantee that a project, if licensed, will prove to be economically or financially feasible. FERC's estimates of feasibility incorporate estimates of project construction costs, future operating costs, and alternative energy costs. FERC does not automatically deny licenses to all projects that appear uneconomic. License applicants are given the opportunity to demonstrate that their project can be financed in the future. Because some licensed projects eventually fail to secure financing, they are not constructed. Determining the extent of speculation in hydropower development is hard because there is no single accepted definition of the practice and because legitimate reasons exist, such as changing economic conditions, for the potential failure of licensed projects. FERC data show that for hydroelectric licenses issued in fiscal year 1980 through 1985, about 93 percent of the

430 licenses began construction of their projects within four years of receiving the license. Therefore, amending the law to allow licensees more time to begin construction seems unnecessary.

**Nuclear Regulation:
NRC's Relationship With the Institute of Nuclear Power Operations**

GAO/RCED-91-122, May 16 (22 pages).

GAO reviewed the Nuclear Regulatory Commission's relationship with the Institute of Nuclear Power Operations, an industry organization that periodically evaluates nuclear power plant performance and operating safety. Although NRC has access to the Institute's evaluation reports, GAO found no evidence that it now relies on Institute evaluations in lieu of conducting its own inspections. NRC does not routinely use Institute evaluation reports as a basis for regulatory action or for its decisions to license nuclear power plant operations. However, in order to avoid duplication of effort, NRC has occasionally not issued an information notice after the Institute has already alerted industry to a potential safety problem. While NRC's information notices are available to the public, Institute reports are not. Therefore, NRC decisions not to issue notices on the same matters reported on by the Institute reduce the amount of nuclear power plant safety information available to the public.

Testimony

Gasoline Marketing: Consumers May Not Be Receiving the Octane They Are Paying for or May Be Unnecessarily Buying Premium Gasoline, by Judy England-Joseph, Associate Director for Energy Issues, before the Subcommittee on Energy and Power, House Committee on Energy and Commerce. GAO/T-RCED-91-65, June 12 (16 pages).

Consumers may be unknowingly buying gasoline with lower octane than needed because octane ratings are mislabeled on gas pumps. At the same time, other consumers, believing that they may be getting better performance, may be buying higher priced premium gasoline when regular gas would meet their vehicles' needs. These practices could be costing consumers hundreds of millions of dollars each year. However, there have been developments in preventing octane mislabeling and premium gasoline overbuying: more states are instituting octane testing programs, the Federal Trade Commission is enforcing octane labeling and working with states to ensure octane labeling, legislation has been introduced in Congress that responds to GAO's recommendations for providing greater

assurances that posted octane ratings are accurate, and the Federal Trade Commission has recently started to notify consumers of the octane needs of their vehicles.

Nuclear Waste: Delays in Addressing Environmental Requirements and New Safety Concerns Affect DOE's Waste Isolation Pilot Plant, by Victor S. Rezendes, Director of Energy Issues, before the Subcommittee on Environment, Energy, and Natural Resources, House Committee on Government Operations. GAO/T-RCED-91-67, June 13 (14 pages).

The Department of Energy's Waste Isolation Pilot Plant near Carlsbad, New Mexico, was built for underground disposal of transuranic waste generated and currently stored at facilities in DOE's defense complex. GAO testified, however, that DOE will be unable to use the facility for underground disposal until (1) the facility meets environmental requirements for repositories and (2) DOE has resolved certain safety concerns. Because of delays and technical requirements in addressing these issues, DOE will not be ready to dispose of wastes for several more years.

Natural Gas: Factors Affecting the Time it Takes to Approve Construction of Natural Gas Pipelines, by Victor S. Rezendes, Director of Energy Issues, before the Subcommittee on Environment, Energy, and Natural Resources, House Committee on Government Operations. GAO/T-RCED-91-73, June 27 (20 pages).

GAO testified on the Federal Energy Regulatory Commission's certification, or approval process, for natural gas pipeline construction. GAO discussed (1) the time it takes FERC to process pipeline construction applications; (2) the factors affecting the time it takes to process the applications; (3) the potential impact of FERC's actions and proposed regulations, as well as currently proposed legislation, to expedite FERC's processing of natural gas pipeline construction applications; and (4) the need for improvements in FERC's management information system.

Environmental Protection

Asbestos: EPA's Asbestos Accreditation Program Requirements Need Strengthening

GAO/RCED-91-86, May 9 (34 pages).

The Environmental Protection Agency now estimates that about 30,000 schools and over 700,000 public and commercial buildings contain

asbestos particles that are in danger of becoming airborne; estimates for asbestos removal from all buildings range as high as \$160 billion. More than 1-1/2 years after all the states should have adopted an accreditation program for workers who remove asbestos from schools, as required by the Asbestos Hazard Emergency Response Act, 31 states have adopted some type of program for all five asbestos disciplines: inspector, management planner, project designer, supervisor, and worker. Although EPA's review and approval of state programs is not mandatory, 18 states have voluntarily obtained EPA approval for all five disciplines. In GAO's view, mandatory EPA approval for all five disciplines would help assure the public that state accreditation programs comply with the minimum requirements of EPA's model plan. GAO identified several problems with school inspections, management plans, and abatement efforts that state and local officials believed were linked to limited education and inexperience among workers removing asbestos. Yet EPA's model plan contains no education or experience requirements. GAO believes that existing requirements for training need to be strengthened and that education and experience requirements may need to be added to the model plan before requirements are extended to workers in public and commercial buildings under 1990 legislation.

**Hazardous Waste:
Limited Progress in Closing and Cleaning Up Contaminated
Facilities**

GAO/RCED-91-79, May 13 (46 pages).

Nearly half of the 4,600 facilities nationwide that treat, store, or dispose of hazardous waste closed down during the 1980s because they were unable or unwilling to meet federal hazardous waste requirements. The Environmental Protection Agency and the states are required to oversee the operations of hazardous waste facilities and to ensure that facilities ceasing operations close in a timely and safe manner. Yet EPA has made only limited progress in closing and issuing post-closure permits to land disposal facilities. Prompt closure of facilities that have ceased operations is important because it involves stabilizing the facility to preclude or minimize the further spread of contamination. In addition, facility owners sometimes declare bankruptcy, increasing the chance that the government will be forced to foot the bill for hundreds of millions of dollars in cleanup costs. EPA needs to place greater emphasis on completing closure by establishing goals or targets, and, to ensure consistent interpretation, the EPA Administrator should closely monitor how regions and states implement the proposed new approach for evaluating

environmental threat and for deciding which facilities to act on first. As part of this monitoring, EPA should assess the need for further guidance to define how the criteria of environmental significance, environmental benefits, and other considerations are to be weighed.

**Pesticides:
Food Consumption Data of Little Value to Estimate Some
Exposures**

GAO/RCED-91-125, May 22 (20 pages).

Publicized food poisonings from improperly used pesticides and health risks from pesticides once considered acceptable for food use have generated continuing concern about pesticide-contaminated food. To establish safe levels of pesticide residues in food, the Environmental Protection Agency estimates dietary exposure to pesticide residues using data from a U.S. Department of Agriculture survey conducted every 10 years. GAO found it very unlikely that the reduced sample size used in USDA's 1987-88 food consumptions survey will yield data adequate for reliable EPA calculation of exposure estimates for subpopulations like nursing infants, pregnant women, and others for which only a small number of people were surveyed. EPA did not calculate and report the precision level (sampling error) of exposure estimates on the basis of data from the 1977-78 survey, although the need for this information was identified in 1986, when EPA first began using this data. Without this information, EPA cannot be sure whether the specific residue limits it set adequately protect all subpopulations. While USDA informed EPA of the expected sample size in 1985 and requested comments on the survey's design, EPA did not respond because it believed that the smaller sample size would not present a major problem.

**Environmental Enforcement:
Penalties May Not Recover Economic Benefits Gained by Violators**

GAO/RCED-91-166, June 17 (31 pages).

Over the last several years, GAO has reported many instances in which EPA regional offices and the states have assessed low penalties, or none at all, for significant violations of environmental regulations. This occurred in spite of an EPA policy that requires that penalties be at least as great as a company's economic benefit. This report indicates that environmental enforcement problems are continuing and that EPA actions to date have fallen short of correcting them. In nearly two out of

three penalty cases concluded in fiscal year 1990 in EPA's four major regulatory programs—air, water, hazardous wastes, and toxic substances—no documentation showed that the economic benefit of the violation had been calculated or assessed. Thus, although the agency's final penalty assessments in these cases amounted to about \$28 million, the absence of documentation makes it impossible to calculate the minimum amount that EPA should have collected under its penalty policy. Furthermore, states and localities that have the authority to enforce most EPA programs and that are responsible for the vast majority of environmental enforcement actions taken in this country are not even required to follow EPA's penalty policy of assessing a minimum economic benefit penalty. EPA will have to exercise much stronger oversight if it is serious about deterring violations; treating the regulated community consistently and fairly; and ensuring that it has adequate management controls to combat waste, fraud, and abuse in its assessment and collection of penalties. GAO summarized this report in testimony before Congress; see:

EPA's Penalties May Not Recover Economic Benefits Gained by Violators, by Richard L. Hembra, Director of Environmental Protection Issues, before the Senate Committee on Governmental Affairs. GAO/T-RCED-91-69, June 19 (15 pages).

**Environmental Protection:
Meeting Public Expectations With Limited Resources**

GAO/RCED-91-97, June 18 (48 pages).

Drawing on past GAO work, a symposium held in June 1990, and analyses prepared by the Environmental Protection Agency and others, this report discusses ways in which the federal government can achieve environmental goals more efficiently and effectively. GAO believes that federal budget priorities should reflect an understanding of relative risks to the environment and public health, as well as the feasibility and cost-effectiveness of various approaches to reduce these risks, rather than relying so heavily on public perceptions of risk. Measuring changes in environmental conditions, rather than levels of regulatory activities, would provide EPA with a more meaningful indicator of the effectiveness of its environmental protection efforts. An environmental control strategy combining traditional regulatory approaches with pollution prevention and market incentives could be less costly as well as more effective in controlling pollution. In addition, the federal government needs to better understand the financial needs of small communities trying to comply with federal environmental requirements.

**Toxic Chemicals:
EPA's Toxic Release Inventory Is Useful but Can Be Improved**

GAO/RCED-91-121, June 27 (89 pages).

Chemical disasters, such as the deadly gas leak in Bhopal, India, in 1984, have increased the demand for better information about toxic chemical emissions. Congress passed legislation in 1986 requiring manufacturers to report each year on their toxic chemical emissions to EPA and the states. EPA compiles this data into an annual inventory that, while available only since 1989, has already become a valuable source of environmental information. For example, federal and state government have relied on the data in enacting laws designed to control and reduce toxic emissions. Some segments of the public—particularly environmental and public interest groups—use the data extensively. EPA, states, and manufacturers have reported, however, that few individual citizens request access to the information, possibly because they are unaware of its availability. EPA public outreach efforts have been limited because of other program priorities. GAO believes that the inventory would be more useful to regulators and the public if it were comprehensive. GAO summarized this report in testimony before Congress; see:

EPA's Toxic Release Inventory Program: More Comprehensive Data and Better Public Outreach Needed, by J. Dexter Peach, Assistant Comptroller General for Resources, Community, and Economic Development Programs, before the Subcommittee on Superfund, Ocean and Water Protection, Senate Committee on Environment and Public Works. GAO/T-RCED-91-75, June 27 (12 pages).

Testimony

Need for Greater EPA Leadership in Controlling Nonpoint Source Pollution, by Peter F. Guerrero, Associate Director for Environmental Protection Issues, before the Subcommittee on Natural Resources, Agriculture Research and Environment, House Committee on Science, Space, and Technology. GAO/T-RCED-91-60, June 5 (16 pages).

GAO testified on the barriers that may be inhibiting state and local efforts to control nonpoint source pollution of water and how EPA can better focus federal efforts to reduce such pollution. GAO also offers observations about the likely impact of EPA's 1992 budget proposal on its efforts in this area. Barriers identified range from technical to political; EPA's plans for dealing with these barriers will fall short, especially since the agency's resource allocations between point source and

nonpoint source pollution control reflect an inappropriate emphasis on point source pollution programs at the expense of nonpoint source pollution control programs.

Financial Institutions

Chicago Futures Markets: Selecting Agricultural Futures Delivery Points Involves Trade-Offs

GAO/GGD-91-84, June 4 (18 pages).

Do futures prices at the Chicago Board of Trade (CBT) reflect cash market values for grain and soybeans? After the July 1990 soybean emergency, in which the CBT tried to prevent manipulation in that month's soybean futures contract, industry associations reemphasized pricing concerns and raised additional reservations about whether CBT and the Commodity Futures Trading Commission (CFTC) were doing enough to stop manipulation. In response, CBT and CFTC are studying grain and soybean delivery point issues to determine what, if anything, needs to be done to improve the related futures contracts. This report discusses the (1) trade-offs between the economic purposes and antimanipulation goals of the Commodity Exchange Act in selecting delivery points, (2) difference in priority that CBT and CFTC assign to these goals, (3) issues surrounding the continued suitability of Chicago as a primary delivery point, and (4) usefulness of current research in selecting delivery points. GAO also examines CBT and CFTC views on the appropriateness of the Commodity Exchange Act's economic purposes and antimanipulation goals in today's markets.

Testimony

Resolution Trust Corporation: Update on Funding and Performance, by Charles A. Bowsher, Comptroller General of the United States, before the Senate Committee on Banking, Housing and Urban Affairs. GAO/T-GGD-91-43, June 11 (32 pages); and

Resolution Trust Corporation: Update on Funding and Performance, by Richard L. Fogel, Assistant Comptroller General for General Government Programs, before the RTC Oversight Task Force, Subcommittee on Financial Institutions Supervision, Regulation and Insurance, House Committee on Banking, Finance, and Urban Affairs. GAO/T-GGD-91-47, June 17 (34 pages).

GAO testified on the status of the Resolution Trust Corporation's current operations and initiatives and possible restructuring of RTC. GAO already

has reported that the \$80 billion provided by Congress will not be enough to resolve all expected thrift failures. RTC's sales of troubled assets have been slower than expected, and proceeds are likely to be lower than anticipated. RTC will need at least another \$50 billion in 1992, and that amount could escalate significantly if RTC accelerates its resolution schedule or if more thrifts than predicted fail. It also is likely that some of RTC's working capital will not be repaid from asset sales proceeds, especially in light of a new RTC policy that allows it to aggressively discount distressed properties. RTC has had major problems in reconciling its accounts and was late in supplying GAO with its financial statements. Because of these problems and the complexity of estimating asset values, GAO will be unable to provide Congress with its audit opinion by the June 30 reporting date. RTC stewardship of thrift assets and the vast sums of taxpayer dollars being spent in this effort underscore the need for accounting and auditing reforms for financial institutions; unless action is taken on these issues, a future taxpayer bailout is quite possible. In response to GAO concerns, Congress has included specific management reforms in RTC's Funding Act that require improvement in RTC management of conservatorships, thrift resolution, asset sales, information management, and contracting. RTC is responding to these requirements and expects that the pace of resolutions and asset sales will increase between now and September 1991. GAO supports continuing discussions on the possible restructuring of RTC and suggests that Congress obtain the views and recommendations of the RTC Oversight Board.

Improved Regulatory Structure and Minimum Capital Standards Needed for Government-Sponsored Enterprises, by Harry S. Havens, Assistant Comptroller General, before the Subcommittee on Conservation, Credit, and Rural Development, House Committee on Agriculture. GAO/T-GGD-91-41, June 11 (nine pages); and

Improved Regulatory Structure and Minimum Capital Standards Needed for Government-Sponsored Enterprises, by Richard L. Fogel, Assistant Comptroller General for General Government Programs, before the Subcommittee on Postsecondary Education, House Committee on Education and Labor. GAO/T-GGD-91-42, June 19 (nine pages).

GAO discussed recommendations made in an earlier GAO report (see GAO/GGD-91-90, May 22, 1991) that Congress establish (1) a regulator for government-sponsored enterprises (GSE) who has appropriate enforcement authorities, (2) a new federal regulatory structure to administer GSE oversight, and (3) reasonable capital rules on the basis of the risks

undertaken by GSEs. While GSEs generally seem to be in sound condition today, future changes in management strategies, economic downturns, or other adverse events could cause future GSE losses. The speed with which an apparently sound firm can become financially imperiled was vividly demonstrated in the thrift industry, the Farm Credit System, and Fannie Mae in the early 1980s. The time to act to ensure the safety and soundness of GSEs is when the situation is calm; history shows that regulatory improvements are more difficult to implement during a crisis and after huge losses have occurred.

Financial Management

Financial Audit:

Status of Air Force Actions to Correct Deficiencies in Financial Management Systems

GAO/AFMD-91-55, May 16 (21 pages).

Throughout the 1980s, concern mounted over the federal government's declining fiscal condition and the ineffective management and control over its financial operations. During that period, GAO audited a number of financial management operations at federal agencies. In a February 1990 financial audit of the Air Force, GAO made 26 recommendations for improving financial management systems and internal controls. This report discusses the current status of (1) follow-up actions on an undocumented and unexplained \$2.4 billion adjustment made by the Air Force Systems Command's Space Division and (2) the corrective actions planned by the Defense Department and the Air Force in response to GAO's 26 earlier recommendations.

Financial Management:

Uniform Policies Needed in DOD Financing of Repairable Inventory Items

GAO/NSIAD-91-40, June 21 (16 pages).

Although the Department of Defense has tried to standardize how the military services finance repairable items, it allows the services to implement differing policies on the pricing and ownership of these items. In addition, DOD has not developed a policy for valuing repairable items in financial reports. The lack of uniform policies on repairables will preclude financial reporting by the military services' stock funds. The Army and the Navy stock funds do not own or control repairable items in the installation-level supply systems. Conversely, the Air Force

stock fund will own and report on repairable items in both the depot and installation-level supply systems. Air Force officials said that this will allow the Air Force to centrally monitor inventory levels and direct the movement of items from one installation to another, as needed. In addition, inconsistencies among the services' plans regarding repairable items appear to undermine the Corporate Information Management project, which is intended to improve financial and management information systems.

Testimony

The Qualifications for and Role of Agency Chief Financial Officers, by Charles A. Bowsher, Comptroller General of the United States, before the Senate Committee on Governmental Affairs. GAO/T-AFMD-91-7, June 7 (12 pages).

The Chief Financial Officers Act of 1990 provides the foundation for long-needed improvements in federal financial management, including the creation of a network of chief financial officers throughout the government. Filling these positions with high-quality people is essential if the sorry state of financial management systems and operations at federal agencies is to change. In this testimony, the Comptroller General outlines the qualifications individuals will need to fill financial management leadership positions.

Government Operations

Employee Drug Testing: Status of Federal Agencies' Programs

GAO/GGD-91-70, May 6 (37 pages).

In September 1986, President Reagan signed an Executive Order establishing the goal of a drug-free federal workplace; all federal employees are required to refrain from illegal drug use, and federal agencies are to conduct drug testing to identify illegal drug users. This report provides information on the approval and implementation of program plans for drug testing in federal agencies, personnel subject to testing, the drugs that agencies are testing for, program costs, and testing results.

Health and Human Services: Funding for State Legalization Impact Assistance Grants Program

GAO/HRD-91-109, May 23 (11 pages).

The Immigration Reform and Control Act provided funds to help states meet the costs, over a seven-year period, of services provided to aliens granted legal status and to cover federal program and administrative costs. Data GAO obtained from the Department of Health and Human Service, 14 states, and the District of Columbia suggest that by the end of fiscal year 1994, the states may need all \$4 billion of the funds appropriated for the State Legalization Impact Assistance Grants program. The states estimate that over \$3.3 billion may be needed through the end of fiscal year 1992, requiring about \$450 million of the appropriation for that year. The \$3.3 billion would be needed to cover expected drawdowns by the states, leaving open the opportunity to shift about \$671 million for use in 1993 and 1994. Several states have been overallocated funds to date, resulting in some having projected surpluses by the end of fiscal year 1992, as well as by the end of the program in 1994. In contrast, other states may not have enough money to meet their program costs by 1994 even with the full appropriation of \$4 billion. A redistribution of some already distributed funds would enable these states to meet more of their funding needs through 1994.

**Labor-Management Relations:
Construction Agreement at DOE's Idaho Laboratory Needs
Reassessing**

GAO/GGD-91-80BR, May 23 (24 pages).

Most of the Department of Energy's research and development activities are carried out by contractors at government-owned facilities around the country. One such facility is the Idaho National Engineering Laboratory, which contains nuclear research facilities and spent waste recovery plants on more than 890 square miles in southeastern Idaho. Between November 1977 and October 1978, the laboratory experienced several work stoppages that resulted in about 7,000 staff days of lost work on construction projects. After several years of effort, the unions and union contractors signed a Site Stabilization Agreement in 1984 that contains a no-strikes/no-lockouts clause and establishes wages, fringe benefits, and working conditions for construction work at the laboratory. This briefing report provides information on contract awards, wage rates, and hiring procedures under the Site Stabilization Agreement. Nonunion contractors have complained that the Agreement puts them at a disadvantage by requiring them to go through union hiring halls and, in some cases, make double payments for certain employee benefits. Their reluctance to bid on DOE contractors may reduce the level of competition, thereby resulting in increased costs for taxpayers. Also,

questions may arise about whether the wage rates required under the Agreement and the alleged union practice of allowing contractors to charge lower wage rates for private construction outside the laboratory are in the best interest of the government.

**Government Shutdown:
Permanent Funding Lapse Legislation Needed**

GAO/GGD-91-76, June 6 (56 pages).

The 1990 shutdown of the federal government over the Columbus Day weekend had significant adverse effects and did not convey to the public an image of a well-managed government. According to executive branch agencies GAO surveyed, the shutdown cost taxpayers an estimated \$3.4 million, disrupted government operations, and harmed employee morale. The agencies reported that the cost and disruptions would have been much more severe if the government had shut down for a comparable three-day period during a normal workweek. Over the past decade, there have been nine appropriation funding gaps; at least four of these resulted in some disruption of government services. In GAO's opinion, shutting down the government during temporary funding gaps is an inappropriate way to encourage compromise on the budget. Beyond being counterproductive from a financial standpoint, a shutdown disrupts government services. In addition, forcing agency managers to choose who will and will not be furloughed during these temporary funding lapses severely tests agency management's ability to treat its employees fairly. While agencies estimated that over 500,000 federal workers could be furloughed during the first day of a normal workweek, the vast majority of federal employees would not be subject to furloughs due to a wide variety of exemptions. To address the problem of temporary funding lapses, GAO continues to recommend that Congress enact permanent legislation authorizing agencies to incur obligations, but not expend funds, when agency appropriations expire.

**U.S. Insular Areas:
Applicability of Relevant Provisions of the U.S. Constitution**

GAO/HRD-91-18, June 20 (106 pages).

This report provides information on the treatment, made under the U.S. Constitution, of five U.S. insular areas: Puerto Rico, the U.S. Virgin Islands, American Samoa, Guam, and the Northern Mariana Islands. GAO

discusses which provisions of the Constitution—congressional representation, the Uniformity Clause, the Commerce Clause, presidential election, trial by jury, the Equal Protection Clause, and voting rights (along with income taxation, which is not a Constitutional issue)—have been extended by federal law to the five insular areas and which provisions the courts have determined apply to these areas.

Testimony

Postage Stamp Production and Procurement, by L. Nye Stevens, Director of Government Business Operations Issues, before the Subcommittee on Postal Operations and Services, House Committee on Post Office and Civil Service. GAO/T-GGD-91-39, June 5 (10 pages).

GAO believes that the situation between the Bureau of Engraving and Printing and the Postal Service is much improved. By 1988 the relationship between the two agencies had become so strained that the Postal Service proposed that all stamp production be contracted out to the private sector within five years. A 1990 formal interagency agreement spelling out detailed understanding and procedures has resulted in a much more businesslike arrangement. Because the Postal Service is not legally required to buy all or any of its stamps from the Bureau, however, the long-term outlook for the Bureau's role in producing postage stamps is uncertain. In GAO's view, the Postal Service should not be required to do so; competition is a healthy incentive toward excellence. Given this, the Bureau's total quality management initiative, properly implemented, should provide more dependable assurance of a thriving public sector stamp production than would a legislated monopoly.

The President's Commission on Executive Exchange, by Bernard L. Ungar, Director of Federal Human Resource Management Issues, before the Subcommittee on Employment and Housing, House Committee on Government Operations. GAO/T-GGD-91-38, June 10 (26 pages).

The President's Commission on Executive Exchange was created in 1969 to foster understanding between the federal government and the private sector through the temporary placement of executives from one sector to the other. GAO testified that because of erroneous legal advice from the Office of Personnel Management, the Commission made expenditures over a four-year period that did not comply with federal procurement and travel laws. Budgetary controls did not always ensure that the appropriate funds were used for the Commission's expenditures. The Commission and OPM followed required federal personnel laws, regulations, and guidelines for some actions but not for others. Over the past

several years, Commissioners appointed by the President have not provided the supervision and review of the agency's activities that were called for in the executive order creating the Commission.

Expanding the Role of Local Governments: An Important Element of Census Reform, by L. Nye Stevens, Director of Government Business Operations Issues, before the Subcommittee on Census and Population, House Committee on Post Office and Civil Service. GAO/T-GGD-91-46, June 15 (10 pages).

The success of the decennial census requires a strong partnership between the Census Bureau and local governments—one probably much stronger than commonly realized. During the 1990 census, local governments helped to determine what data would be collected on the census questionnaire, encouraged public participation through publicity and outreach efforts, and helped improved the completeness of the Bureau's address list and the accuracy of the population counts through the census local review program. A successful 2000 census demands that the Bureau and local governments work even more closely together throughout the coming decade. GAO believes that it is in the best interests of both the Bureau and the governments to make sure that their important partnership yields the most complete count possible.

1990 Census: Final Preparations for a Possible Adjustment, by L. Nye Stevens, Director of Government Business Operations Issues, before the Subcommittee on Government Information and Regulation, Senate Committee on Governmental Affairs. GAO/T-GGD-91-26, June 19 (12 pages).

All measures of coverage error indicate that the 1990 census missed a greater percentage of the U.S. population than did the 1980 census, the first time in modern census history that the coverage rate did not improve over that of the previous census. Furthermore, the differential undercount between the undercount of blacks and the undercount of nonblacks was greater than at any time since the Bureau began measuring the differential in 1940. At this point, however, GAO is unable to assess the quality of the 1990 Post Enumeration Survey—a central methodology the Department of Commerce will use to decide whether or not to adjust census counts—because it has not had time to assess the results of the Census Bureau's evaluations of the survey. The quality of the survey data will influence Commerce's confidence in the Post Enumeration Survey when deciding on adjustment. In the final analysis, GAO testified, the Census Bureau and the Commerce Department will need to

use available data and their informed judgement when deciding upon the technical quality of the Post Enumeration Survey.

1990 Census: Applying PES Results and Evaluations to the Adjustment Decision, by L. Nye Stevens, Director of Government Business Operations Issues, before the Subcommittee on Census and Population, House Committee on Post Office and Civil Service. GAO/T-GGD-91-49, June 27 (nine pages).

In this testimony, a supplement to GAO's June 19 statement (see GAO/T-GGD-91-26), GAO discusses the results of the 1990 census Post Enumeration Survey (PES)—a central methodology that the Commerce Department is using to decide whether or not to adjust the 1990 census counts. While all measures of coverage error indicate that the 1990 census missed a greater percentage of the U.S. population than did the 1980 census, GAO believes that the dependability of the PES as a tool for adjusting census counts remains questionable. In the three weeks remaining before the deadline for an adjustment decision, the Commerce Department will have to grapple with some hard technical questions in deciding if adjustment would improve the accuracy of the counts, particularly at lower geographic levels.

Immigration Management: Actions Being Taken, but Problems Remain, by J. William Gadsby, Director of Federal Management Issues, before the Subcommittee on Immigration and Refugee Affairs, Senate Committee on the Judiciary. GAO/T-HRD-91-48, June 24 (five pages).

The Immigration and Naturalization Service faces the difficult challenge of preventing illegal entry into the United States while at the same time providing service to individuals seeking legal immigration benefits. Over the past decade, weak management systems and inconsistent leadership have allowed serious problems at INS to go unresolved. These problems, however, did not develop overnight, and solving them will require obtaining people with the right skills to fill the new key positions and a sustained commitment from both INS and the Justice Department. While both INS and Justice have started to systematically improve INS' management framework, INS is just beginning its efforts. Such efforts, including a recently approved reorganization and development of a total quality management framework, should put the agency in a position to confront its management problems. Yet challenges remain. For example, overlaps in the enforcement program continue, and progress in addressing financial management weaknesses has been slow.

Health

Canadian Health Insurance: Lessons for the United States

GAO/HRD-91-90, June 4 (85 pages).

- Canada's health financing system is instructive because it incorporates three principles that GAO believes should guide U.S. health care reform: universal health coverage, uniform reimbursement rules, and systemwide spending controls. Canada has been more successful than the United States in controlling the growth in health care spending, even while providing health insurance to all its residents. If the universal coverage and single-payer features of the Canadian system were applied in the United States, the savings in administrative costs alone would be more than enough to finance insurance coverage for the millions of Americans who are now uninsured. Enough would be left over to reduce, or possibly even eliminate, copayments and deductibles, if that were deemed appropriate. The Canadian system is not without flaws, however. The Canadian method of controlling hospital costs has limited the use of expensive, high-technology diagnostic and surgical procedures. As a result, waiting lists or queues—sometimes months long—have developed for some specialty surgical care services, like cardiac bypass surgery, lens implants, and magnetic resonance imaging. While the U.S. can learn from the Canadian model, a reformed U.S. system should also build upon the unique strengths of the existing U.S. health care structure. The continuing development of advanced medical technology; detailed management information systems; and the flexibility to incorporate alternative service delivery mechanisms, like health maintenance organizations, are characteristics of the U.S. system that should be preserved. The Comptroller General summarized this report in testimony before Congress; see:

Canadian Health Insurance: Lessons for the United States, by Charles A. Bowsher, Comptroller General of the United States, before the House Committee on Government Operations. GAO/T-HRD-91-35, June 4 (eight pages).

ADMS Block Grant: Women's Set-Aside Does Not Assure Drug Treatment for Pregnant Women

GAO/HRD-91-80, May 6 (21 pages).

While the extent of drug abuse among pregnant women is uncertain, estimates of the number of drug-exposed infants born each year range as high as 375,000. In reviewing how the ADMS Block Grant women's set-aside has addressed the treatment needs of drug-abusing women, especially pregnant women and mothers with young children, GAO found a large gap between the number of women who could benefit from drug treatment and the availability of treatment centers. Funding for the program increased almost 500 percent between fiscal year 1988 and 1990. Yet Congress lacks a clear understanding of how the women's set-aside is used or what impact it has had on the treatment of pregnant women and mothers with young children because the Department of Health and Human Services has not clearly specified to states what information must be provided. In GAO's view, the increasing number of drug-exposed infants warrants a national response. GAO summarized this report in testimony before Congress; see:

ADMS Block Grant: Women's Set-Aside Does Not Assure Drug Treatment for Pregnant Women, by Mark V. Nadel, Associate Director for National and Public Health Issues, before the Subcommittee on Health and the Environment, House Committee on Energy and Commerce. GAO/T-HRD-91-37, June 20 (eight pages).

**Medicare:
Further Changes Needed to Reduce Program and Beneficiary Costs**

GAO/HRD-91-67, May 15 (86 pages).

Medicare foots the bill for about one-quarter of all hospital and physicians services in this country and has become the fourth-largest category of federal expenditures, surpassed only by defense, social security, and interest payments on the national debt. As such, the Medicare program bears a responsibility to be a leader in health care reform, and, to a large extent, Medicare has met its responsibility in this area. Despite efforts to constrain costs, however, Medicare spending and beneficiary out-of-pocket expenses have risen at troubling rates. Medicare expenditures rose from about \$70 billion in 1985 to \$106 billion in 1990, while average beneficiary out-of-pocket costs rose from about \$630 to over \$1,000 for Medicare-covered services. Medicare's high cost and continued rapid growth are evidence of inadequate economic incentives for patients and providers to contain costs. Consequently, much remains to be done to translate recent payment reforms into fully functioning systems. This report identifies issues that Congress may want to examine to (1) help ensure that current Medicare reforms achieve their objectives

and (2) identify additional opportunities to reduce Medicare beneficiary and program costs. The Comptroller General summarized this report in testimony before Congress; see:

Medicare: Further Changes Needed to Reduce Program Costs, by Charles A. Bowsher, Comptroller General of the United States, before the Subcommittee on Health, House Committee on Ways and Means.
GAO/T-HRD-91-34, June 13 (13 pages).

**Medicare:
Flawed Data Add Millions to Teaching Hospital Payments**

GAO/IMTEC-91-31, June 4 (24 pages).

Medicare reimburses teaching hospitals over \$2 billion annually for indirect medical education costs that are thought to stem from factors like more diagnostic testing, procedures, and recordkeeping, as well as high staffing ratios associated with graduate medical education programs. The amount of the payment is determined by multiplying the amount a hospital receives for its operating costs by the number of residents per available bed and a statistically estimated factor thought to represent the incremental patient care costs due to providing graduate medical education. Supplemental Medicare payments to teaching hospitals are based on inaccurate and unverifiable data, however, and are causing Medicare to pay millions more in indirect medical education costs than it should. Moreover, allowing teaching hospitals to exclude some beds used to treat sick newborns from their bed counts is inconsistent with a federal court decision and costs the Medicare program millions each year. These weaknesses show that strong internal controls are needed. The Health Care Financing Administration needs a valid and reliable way of determining supplemental payments so that their reasonableness can be ensured and HCFA can better control Medicare costs. Until this occurs, HCFA and the intermediaries cannot meet their responsibilities to reduce waste and abuse in the Medicare program.

**Medicare:
Payments for Clinical Laboratory Test Services Are Too High**

GAO/HRD-91-59, June 10 (28 pages).

GAO reviewed the appropriateness of Medicare's fee schedule payments for clinical laboratory test services, considering both laboratory costs and revenues. To measure appropriateness, GAO compared laboratories'

profit rates from Medicare with their overall profit rates. Comparable profit rates would suggest that Medicare was carrying its own weight, neither subsidizing all other payers nor being subsidized by them. GAO found, however, that profits from Medicare business substantially exceeded laboratories' overall profit rates, and GAO concludes that Medicare's fee schedules are too high. GAO recommends that Congress cap Medicare payments for clinical laboratory test services so that Medicare's contribution to laboratories' profits does not exceed their overall profit. GAO believes that capping fees at 76 percent of the median of all fee schedules would accomplish this goal.

**U.S. Health Care Spending:
Trends, Contributing Factors, and Proposals for Reform**

GAO/HRD-91-102, June 10 (19 pages).

In April 1991, GAO testified before Congress on health care costs in the United States and on long-term strategies for reform of the U.S. health care system. (See GAO/T-HRD-91-16, Apr. 17.) To make the information contained in this testimony more widely available, GAO is publishing its statement as a report. GAO discusses U.S. health spending trends; their effects on business, government, and individuals; factors contributing to rising expenditures; and a comprehensive approach to reform.

Testimony

Substance Abuse Funding: High Urban Weight Not Justified by Urban-Rural Differences in Need, by Lawrence H. Thompson, Assistant Comptroller General for Human Resources Programs, before the Senate Committee on Labor and Human Resources. GAO/T-HRD-91-38, June 25 (14 pages).

Under the apportionment formula used to distribute \$1.3 billion in federal funds provided by the Alcohol, Drug Abuse, and Mental Health block grant program, urban states receive higher per capita funding than can be justified by studies of urban-rural difference in drug abuse or the cost of providing services. Funding was not systematically targeted to low-income states, as was intended by 1988 legislation. Although a high weight on urban population may serve as a proxy for the cost of providing services, GAO believes that it would be preferable to introduce a cost factor directly into the formula. Legislation pending before Congress would distribute block grant funds so that they more closely reflect high concentrations of high-risk people, the cost of providing services, and state taxpayers' ability to fund service needs.

Housing

Testimony

HUD Reforms: Limited Progress Made Since the HUD Scandals, by J. Dexter Peach, Assistant Comptroller General for Resources, Community, and Economic Development Programs, before the Subcommittee on Employment and Housing, House Committee on Government Operations. GAO/T-RCED-91-62, June 12 (14 pages).

In GAO's view, it is too soon to evaluate the effectiveness of efforts by the Department of Housing and Urban Development to combat widespread waste, fraud, and abuse at that agency. GAO concludes, however, that the underlying causes of the scandals at HUD—inadequate information and financial management systems, including computerized systems; weak internal controls; inappropriate organizational structure; and insufficient staffing—remain largely unresolved, leaving the agency vulnerable to future problems.

Income Security

Testimony

Insurance Company Failures Threaten Retirement Income, by Joseph F. Delfico, Director of Income Security Issues, before the Subcommittee on Select Revenue Measures, House Committee on Ways and Means. GAO/T-HRD-91-41, June 27 (22 pages).

Recent developments in the insurance industry have raised concern about the security of private pensions. Between 1975 and 1990, 170 life insurance companies failed—40 percent of these during the last two years. While most of these failures have been small, the Executive Life Insurance Company was placed into conservatorship in April 1991; if this firm fails, it would be the largest U.S. insurance company ever to do so. The basic problem is that despite a federal pension guaranty agency and a network of state insurance guaranty associations, some pensioners risk losing a portion of retirement income due to insurance company insolvency. In some cases, pensions have no guaranty coverage and in others they receive incomplete protection. Furthermore, pensioners are not routinely informed when they lose federal protection. This testimony addresses the guaranty system now protecting pension

plan annuitants and how the guaranty system applies to pension plan investments.

Information Management

ADP Acquisition: Defense Logistics Agency Has Not Justified Need for Additional Computer

GAO/IMTEC-91-33, May 23 (12 pages).

The Defense Logistics Agency has not justified the need to acquire another computer, estimated to cost about \$7.8 million, for its Columbus, Ohio, information processing center. About half of the estimated work-load requirements used to justify this planned procurement are unsupported. Using the same method the Defense Logistics Agency used to measure capacity, GAO found that the requirements that are supported can be met by existing computers at the Columbus processing center. Furthermore, the computers at Columbus could even handle the unvalidated work load, should it materialize, and computers at the Defense Logistics Agency's Boston and Philadelphia field locations could be used to handle unforeseen requirements.

Telecommunications: GSA's Difficulties Managing FTS 2000

GAO/IMTEC-91-45, June 23 (14 pages).

To replace the government's outdated federal telecommunications system with advanced telecommunications service at lower cost, the General Services Administration awarded the FTS 2000 contract to AT&T and U.S. Sprint in December 1988. A major objective of the contracts was to divide the FTS 2000 revenues between AT&T and Sprint on a 60/40 percentage basis, respectively, for the initial contract period. GAO concludes that GSA was not justified in reassigning the Navy from AT&T's network to Sprint's. In addition, the reassignment will not result in a 60/40 revenue split. GSA reassigned the Navy from AT&T to Sprint as part of an agreement between GSA and Sprint to resolve a dispute over Sprint's violation of contractually mandated price caps. Although the agreement resulted in price reductions from Sprint worth nearly \$43 million to the government, GSA's concessions to Sprint—including relief from having to refund the government for possible overcharging during the initial contract period—were costly and disruptive. In GAO's view, this agreement may not be in the government's best interests. Further,

GSA's contention that the Navy reassignment will result in a 62/38 revenue split in favor of AT&T is not supported by reliable estimates, and thus does not justify the reassignment decision. In May 1991, GSA suspended the assignment of Navy to Sprint, pending a review by the GSA Administrator. Finally, while GSA is effectively enforcing mandatory use, in some cases compliance with the statute could cost agencies more for FTS 2000 services than they would pay under a separate contract.

**Tax System Modernization:
Further Testing of IRS' Automated Taxpayer Service Is Needed**

GAO/IMTEC-91-42, June 20 (17 pages).

Too often, taxpayers who call IRS' toll-free numbers for information get a wrong answer. To remedy this, IRS has developed its Taxpayer Service Integrated System—a project to automate its taxpayer inquiry program. IRS plans to spend \$250 million through fiscal year 1988 to develop, install, and operate the system. While IRS has requested significant funding to automate all of its 32 call sites, GAO concludes that IRS does not have the basic information to decide whether to install the service at all 32 call sites. Tests to determine whether the system will improve service to taxpayers have been inconclusive. Even if the system can improve service, IRS might be able to realize improvements of equal magnitude through management changes. In December 1990, the Office of Management and Budget denied IRS' 1992 budget request for \$41 million for the Taxpayer Service Integrated System. IRS has now adopted a slow pace to development of the system. Further testing of the system obviously is needed during the 1992 filing season, and if properly constructed and carried out, should yield the information IRS needs to decide whether to install the system at additional call sites.

**Tax System Modernization:
An Assessment of IRS' Design Master Plan**

GAO/IMTEC-91-53BR, June 25 (27 pages).

The Tax System Modernization program is a comprehensive, \$8-billion effort to acquire the technology needed to upgrade IRS' information systems. The Design Master Plan will be the road map for guiding the development and implementation of IRS modernization. GAO characterizes the draft of the Design Master Plan as a reasonable, useful, high-level guide. The plan does not, however, address key issues vital to the success of

the modernization. These issues include articulating a clear, comprehensive vision of how IRS expects to conduct business in the future and completing transition plans; establishing and assessing progress against measurable goals; fixing accountability for major modernization activities; protecting taxpayer privacy; evaluating and managing technology risks; and developing a comprehensive human resources strategy that would include recruiting, training, and retaining staff with highly technical skills.

Testimony

Environmental Regulation: Ineffective Information Management Impedes EPA's Enforcement Mission and Cross-Media Initiatives, by JayEtta Z. Hecker, Director of Resources, Community, and Economic Development Information Systems, before the Senate Committee on Governmental Affairs. GAO/T-IMTEC-91-16, June 19 (six pages).

GAO testified on whether sound methodologies are being used to develop information that meets the needs of individuals charged with enforcing environmental laws and regulations. Specifically, GAO discussed whether enforcement users are receiving information that cuts across environmental media, like air, water, solid waste, pesticides, and toxic substance. GAO also testified on impediments to the Environmental Protection Agency's management of information resources for cross-media purposes.

Tax System Modernization: Attention to Critical Issues Can Bring Success, by Howard G. Rhile, Director of General Government Information Systems, before the Senate Committee on Governmental Affairs. GAO/T-IMTEC-91-8, June 25 (25 pages).

Over the past 25 years, the Internal Revenue Service has been trying to modernize its tax processing system. Because of past failures, IRS and taxpayers are today saddled with a system that is antiquated, cumbersome, and unresponsive to their needs. IRS' current effort is an \$8 billion dollar computer modernization project that is scheduled to be in place by the turn of the century. GAO testified that IRS is now in the best position it has ever been in to proceed with modernization. It has a long way to go, however, before modernization becomes a reality, and a number of prerequisites to moving forward with this major effort remain unfinished.

Serious Questions Remain About Justice's Management of ADP and Computer Security, by Milton J. Socolar, Special Assistant to the Comptroller General, before the Subcommittee on Economic and Commercial Law, House Committee on the Judiciary. GAO/T-IMTEC-91-17, June 27 (seven pages).

In today's world, the ability of an organization to manage and secure its information resources is more than a desirable extra; it is essential to doing business effectively. GAO testified that the Department of Justice has serious problems in managing its information technology resources and providing adequate security for its computer systems. While the Department has tried to address this situation, GAO is unsure how effective its actions will be, especially since Justice has experienced many false starts in the past. Therefore, continuing oversight by Congress and by top Justice management is needed if any real change is to occur.

Computer Security Weaknesses at the Department of Justice, by Howard G. Rhile, Director of Government Information Systems Issues, before the Subcommittee on Technology and Competitiveness, House Committee on Science, Space, and Technology. GAO/T-IMTEC-91-15, June 27 (eight pages).

The Department of Justice relies on computers to process highly sensitive information, including the names of defendants, witnesses, informants, and undercover law enforcement agents. This dependence on computer systems to process sensitive information entails considerable risk; if this information is disclosed, individuals could be harmed and the public trust eroded. Over the past several years, GAO has reported many disturbing weaknesses in Justice's computer security, weaknesses that have life-and-death implications for the individuals whose identities may have been divulged. While the Department has started to take positive steps in response to this situation, it is unclear how effective such action will be. GAO believes that continuing oversight by Congress and top management at Justice will be required to sustain needed improvement.

International Affairs

U.S.-Mexico Trade: Information on Wages, Fringe Benefits, and Workers' Rights

GAO/NSIAD-91-220, May 10 (six pages).

This report provides information on labor practices under the Mexican "maquiladora" program, created in 1965 to generate development along

Mexico's economically depressed northern border by attracting foreign-owned subassembly operations. In 1989 the average wage rate, including fringe benefits, for Mexican workers employed in the maquiladora industry was \$1.39 per hour. This wage rate is considerably below the average wage rate of \$14.31 per hour paid to U.S. production workers. According to the U.S. Department of Labor, both countries provide specific, legally required fringe benefits to their workers, such as social security and workers' compensation. Maquiladora employers, however, provide additional fringe benefits to their employees. According to the U.S. Departments of State and Labor, the rights of Mexican workers are specified in the 1970 Federal Labor Law and its subsequent amendments.

**U.S.-Mexico Trade:
Information on Environmental Regulations and Enforcement**

GAO/NSIAD-91-227, May 13 (16 pages).

Mexico faces many severe environmental problems due to air and water pollution and to hazardous waste contamination. In light of congressional consideration of a potential free trade agreement between the United States and Mexico, GAO reviewed Mexican environmental protection standards and enforcement. This report discusses (1) Mexico's environmental problems, (2) Mexican environmental protection laws and regulations, (3) Mexico's resources and efforts to implement and enforce its environmental protection program, and (4) U.S.-Mexico cooperative efforts to enhance environmental protection.

**U.S.-Mexico Trade:
Concerns About the Adequacy of Border Infrastructure**

GAO/NSIAD-91-228, May 16 (39 pages).

The proposed U.S.-Mexico free trade agreement would undoubtedly affect the flow of commercial traffic across the U.S.-Mexico border. This report examines existing U.S.-Mexico border infrastructure capacity and initiatives to facilitate the movement of commerce between the two countries. GAO discusses (1) the process for planning and expanding border inspection facilities, (2) steps taken by U.S. and Mexican authorities to expedite processing of border commercial traffic, (3) staffing patterns for the principal U.S. federal agencies involved in inspections along the border, (4) road and highway infrastructure needs at certain major border entry ports, and (5) transborder access for commercial

trucks. To illustrate recent trends in trade and commercial traffic flows, GAO also provides information on the four southwest border Customs Districts.

**East European Energy:
U.S. Business Opportunities in and Assistance to Poland's Energy Sector**

GAO/NSIAD-91-206, May 16 (38 pages).

Recent political changes in Poland have spurred that country's transition from a centrally planned to a market-oriented economy. If these economic reforms are to succeed, however, Poland's energy sector will have to be revitalized. This report discusses (1) Poland's energy needs and the steps being taken or planned to address them as well as the resulting potential trade and investment opportunities for U.S. firms, (2) impediments to realizing these opportunities and the ways in which the U.S. government is trying to overcome them, and (3) the status of U.S. programs to directly support Poland's energy sector.

**Soviet Energy:
U.S. Attempts to Aid Oil Production Are Hindered by Many Obstacles**

GAO/NSIAD-91-214, May 24 (28 pages).

As it moves from a centrally planned economy toward a market-based system, the Soviet Union will need to produce and export large quantities of oil to help finance industrial development and to purchase consumer goods from the West. Since 1988, however, Soviet oil production has fallen by about 8.8 percent. Oil exports also have declined, falling by about 15 percent from 1988 to 1990. The main reasons for the production decline are the lack of enough capital for exploration and production and the use of outdated and inefficient production practices. While U.S.-Soviet joint ventures could potentially help reverse this situation, both the United States and the Soviet Union maintain policies and practices that hinder U.S. trade and investment in Soviet oil exploration and production. Despite such difficulties, several U.S. multinational oil companies are proceeding with joint venture agreements, and progress is being made on overcoming some of the obstacles. For example, training programs in western business practices are being offered by the U.S. government, private companies, and universities. In addition, the U.S.

and Soviet governments are now negotiating a tax treaty. GAO summarized this report in testimony before Congress; see:

Soviet Oil Production and Obstacles to U.S. Trade and Investment, by Allan I. Mendelowitz, Director of International Trade, Energy, and Finance Issues, before the Subcommittee on European Affairs, Senate Committee on Foreign Relations. GAO/T-NSIAD-91-41, June 19 (five pages).

**Foreign Assistance:
Obligated but Unspent Funds as of September 30, 1990**

GAO/NSIAD-91-238, June 18 (eight pages).

Congress appropriates funds to assist foreign countries, and the Agency for International Development obligates this money for various activities, such as disaster assistance to help refugees. The pipeline is the difference between the amount that AID obligates for such activities and the amount it has spent on them. This report examines, as of the end of fiscal year 1989, (1) how much funding was in AID's overall pipeline, (2) how much was in the pipeline of selected countries, and (3) how long the funds had been in the pipeline and their legal status. GAO also discusses AID's intended actions on recommendations made in an earlier GAO report on this matter. (See GAO/NSIAD-91-123, Apr. 9, 1991.)

Testimony

State Department Efforts to Improve Management of Overseas Real Property, by Frank C. Conahan, Assistant Comptroller General for National Security and International Affairs Programs, before the Legislation and National Security Subcommittee, House Committee on Government Operations. GAO/T-NSIAD-91-40, June 20 (27 pages).

GAO testified on the State Department's management of overseas properties, one of 16 areas within the federal government that the Comptroller General has designated as most vulnerable to waste, fraud, and abuse. In the past, GAO has recommended improvements in planning, accountability, and program management. While the State Department has begun to address these concerns, many of its initiatives are only in the planning stage or early stages of implementation. The Diplomatic Construction Program, which represents a major commitment by the U.S. government to protect Americans and diplomatic missions from terrorist attacks, has made limited progress. Although Congress has appropriated over \$1 billion to build new embassies, the program has suffered delays and cost increases. GAO concludes that the State Department's overseas

real estate program remains vulnerable to waste and that Americans overseas are vulnerable to security threats.

U.S. Efforts to Increase Exports of High Value Agricultural Exports, by Allan I. Mendelowitz, Director of International Trade, Energy, and Finance Issues, before the Subcommittee on Department Operations, Research, and Foreign Agriculture, House Committee on Agriculture. GAO/T-NSIAD-91-43, June 25 (19 pages).

In this testimony on the U.S. Department of Agriculture's approach to high product marketing, GAO notes that although major U.S. competitors spend less on high value market development than does the United States, they spend their funds in a more highly targeted manner and use them as part of highly integrated marketing strategies. In addition, USDA agencies rarely employ strategic marketing, and GAO believes that a Department-wide approach is needed. The United States has a competitive advantage in the production of bulk commodities, like wheat, corn, and feed grains, and its agricultural policy has historically stressed these products. The growing market share of high value products makes it crucial that USDA give more attention to how best to market these products. In addition, the ability of the United States to expand high value product exports will be strongly influenced by the success or failure of the Uruguay Round negotiations. Success in the liberalization of world agricultural trade would present important opportunities for U.S. exporters.

Justice and Law Enforcement

Drug Control: National Guard Counter-Drug Support to Law Enforcement Agencies

GAO/NSIAD-91-113, May 3 (35 pages).

The \$150 million that Congress appropriated to support an increased National Guard role in counter-drug activities have been allocated to activities the Defense Department has designated as high priority; however, DOD might have been better able to make fiscal year 1991 allocation decisions if the states had ranked counter-drug mission funding requirements highly within their state plans. While the equipment to be produced will, in most cases, support the high-priority missions, the National Guard Bureau and the states' Guard organizations have not determined the amount or type of equipment to be bought with fiscal

year 1991 funds. The impact of the Guard's counter-drug activities has not been measured.

**Customs Service:
1911 Act Governing Overtime Is Outdated**

GAO/GGD-91-96, June 14 (73 pages).

Under overtime provisions contained in a 1911 law, U.S. Customs Service inspectors working on Sundays are compensated at a rate of two days of regular pay. On holidays, the compensation jumps to two days of regular pay plus the hourly rate for the period of time worked. No minimum period of work is required to qualify for the overtime pay; consequently, inspectors can work as little as one minute and receive two days pay for Sunday work and two days pay plus the hourly rate for holiday work. Individuals are now authorized to receive up to \$25,000 in overtime annually. Overtime pay to Customs inspectors rose from \$56.8 million in fiscal year 1985 to \$102.8 million in fiscal year 1990. At five ports visited by GAO, management inattention to individual overtime assignments has resulted in vulnerability to fraud and abuse. Internal control weaknesses have resulted in errors in preparing overtime documentation, certifying payments, and entering data in the overtime system. GAO also found cases of improper time card certifications and duplicative payments. In addition, GAO found that 45 percent of all overtime assignments made in fiscal year 1989 involved overtime requests for an hour or less of work. A recent Customs task force estimated that Customs could save about \$22 million by eliminating overtime pay for work completed within two hours before the end or the beginning of the regular workday. The special payments set up by the 1911 law reflect a time when it was rare for ports to operate outside of regular hours, especially on Sundays and holidays. While inspectors should be paid extra for working overtime, GAO believes that inspector overtime pay should be directly linked to actual hours worked and Customs management should focus on achieving a more efficient use of overtime. GAO summarized this report in testimony before Congress; see:

Customs Service Inspector Overtime: Outdated Law and Inefficient Management, by Lowell Dodge, Director of Administration of Justice Issues, before the Subcommittee on Oversight, House Committee on Ways and Means. GAO/T-GGD-91-45, June 13 (16 pages).

National Defense, Security, and Military Procurement

Battlefield Automation: Army Needs to Reevaluate Air Defense Radar Acquisition Programs

GAO/NSIAD-91-91, May 3 (32 pages).

The Army is pursuing three air defense radar programs. It (1) plans to spend up to \$1 billion to acquire and modify an off-the-shelf radar system, (2) is developing advanced radar technology for potential multiple uses, and (3) is acquiring an interim lightweight radar for its mobile light divisions until the off-the-shelf radar is fielded in the late 1990s. Before entering production of the off-the-shelf radar or full-scale development of the multirole radar, the Army should evaluate the cost-effectiveness of selecting one of these programs to meet both corps and division air defense requirements on the basis of scheduled demonstrations and evaluation of these programs. As part of that evaluation, the Army should consider using interim lightweight radars to meet any priority needs while it selects the most cost-effective candidate radar system, or, perhaps, it should merge radar programs to satisfy both corps and division long-term requirements with one system.

Navy Contracting: Military Sealift Command Contracts for Operation Desert Shield

GAO/NSIAD-91-198, May 14 (12 pages).

Under severe time constraints, the Military Sealift Command—which provides global air, land, and sea transportation for defense operations—followed established contracting practices to obtain required shipping to support Operation Desert Shield. Due to the urgency of the sealift requirements, several waivers and deviations from standard procurement processes were necessary. The contracts GAO reviewed, however, showed that the Command generally obtained competition and complied with the Competition in Contracting Act. The prices paid by the Command were mixed and generally higher than previous prices paid for similar transportation. However, price comparisons were difficult because of differences in the specific services involved in each case. After considering many factors, GAO concludes that the prices the Command negotiated were fair and reasonable under the circumstances.

**Navy Office Space:
Issues on Relocating Selected Commands From the Washington,
D.C., Area**

GAO/NSIAD-91-107, May 17 (49 pages).

Concerned about cost effectiveness, Congress has raised questions about the desirability of having so many Navy personnel in the Washington, D.C., metropolitan area. GAO concludes that there are both advantages and disadvantages to relocating the Navy commands from Washington. Such a move probably would negatively affect several aspects of the commands' operations and might result in a disruption in operations, loss of civilian personnel who chose not to relocate, and increased travel by command personnel to the Washington area. While many of the relocation sites have advantages over the Washington area in terms of purchasing and leasing facilities, most of the other estimated costs associated with such a move appear to be disadvantageous for the government. Because GAO did not quantify some of the costs or project all of them over 30 years, GAO did not identify the least costly areas. Quality of life factors suggest that the costs of living in the Washington area are high compared to those of the other selected areas. Due to the subjectivity of individual preferences and the influence of different income levels, however, GAO did not attempt to determine which areas Navy employees might consider most desirable.

**Air Force Housing:
Proposal for Financing Improvement to Family Housing**

GAO/NSIAD-91-181, May 21 (three pages).

Office of Management and Budget officials said that an Air Force proposal for financing housing units for military families, as spelled out in the Capehart report, would not be approved because of the federal budget guidelines in the conference report accompanying the Omnibus Budget Reconciliation Act of 1990. On the basis of its analysis, GAO believes that OMB's objection to the Capehart proposal is warranted under these guidelines. This guidance requires that the full amount of a project's obligation be accounted for in the same year that the obligation is incurred. In contrast, the Capehart proposal is based on a "buy now and pay later" concept.

**Army Acquisition:
Air Defense Antitank System Development Goals Not Yet Achieved**

GAO/NSIAD-91-222, May 23 (26 pages).

A two-year development extension was approved for the Army's revised Air Defense Antitank System program after it failed to meet its operational requirements in testing done in 1990. Planned tests have been delayed, however, because the contractor has been unable to demonstrate a high enough reliability to statistically ensure that the system would meet its first interim criteria. Consequently, fiscal year 1992 funding for the system may be provided before the Army completes the reliability tests planned for fiscal year 1991. GAO believes that the program remains one of high risks and recommends that DOD require certain analyses and test plans before production of the system is approved. GAO also suggests that Congress consider limiting further program funding until planned performance improvements are demonstrated.

**Army Acquisition Controls:
Materiel Release Process Needs to Be Strengthened**

GAO/NSIAD-91-184, May 23 (nine pages).

The Army's materiel release program is meant to ensure that systems meet performance requirements and are logistically supportable before they are released to field units. GAO is concerned that the review boards, which recommend the release of systems to the field, are neither sufficiently independent of the procuring offices nor sufficiently representative of the end users to meet sound internal control standards. In short, the same people who develop a system generally recommend it for release to the field. The current process allows systems with deficiencies to be sent to field units on a conditional basis, provided a corrective plan exists to meet field user's requirements and provided the need for the equipment is urgent. Deficiencies, however, are not always corrected in a timely manner, and urgency justifications are not always provided. Corrective action plan milestones can slip for years.

**Motor Vehicles:
Better Management of the Military Services' Vehicles Could Save Millions**

GAO/NSIAD-91-132, May 24 (28 pages).

DOD spent over \$330 million in fiscal year 1989 to operate and maintain general purpose vehicles, like sedans, station wagons, ambulances, and trucks; the military received an additional \$95 million that year to purchase new motor vehicles. The military could be handling its motor vehicle operations more effectively and efficiently. Many studies show that by converting to General Services Administration fleets, the military will save millions of dollars. Except for the Army, however, the military services have only recently begun studies to consider the use of vehicles provided by GSA or private contractors. Although service statistics indicate vehicle mileage often meets, or even exceeds, DOD standards, the low annual mileage of many motor vehicles suggests that the military may have more vehicles than needed. The military services' special purchase requirements, like paint color and extra rust proofing, often mean that DOD pays more than GSA does for the same kind of vehicle. Increasing demand by the Army and other agencies for GSA vehicles is straining GSA's financial resources. GSA maintains that without additional funds, its continued ability to provide low-cost vehicles is doubtful. Due both to Office of Management and Budget prohibitions on the transfer of personnel positions to support fleet management of added vehicles and to financing concerns, GSA said that it has suspended consolidation of the Army fleet and cannot consolidate other fleets.

**Submarine Combat System:
Status of Selected Technical Risks in the BSY-2 Development**

GAO/IMTEC-91-46BR, May 24 (36 pages).

The Navy's AN/BSY-2 combat system is being designed to detect, classify, track, and launch weapons against targets for the Navy's new SSN-21 SEAWOLF nuclear attack submarine. Most of the risks identified by the Institute for Defense Analyses in its January 1990 report—the immaturity of the Enhanced Modular Signal Processor and its inability to meet timing requirements, incomplete database management design, and potentially lengthy network reconfiguration times—still exist. According to the Institute, these risks, if left unresolved, could significantly impair system development through increased costs, schedule delays, and degraded system performance. The Institute has made recommendations to reduce these risks; however, the Navy has not implemented five of the six Institute recommendations.

**Defense Health Care:
Health Promotion in DOD and the Challenges Ahead**

GAO/HRD-91-75, June 4 (14 pages).

DOD's health promotion program focuses on the military's major health concerns, including heart disease, cancer, and alcohol abuse. Program activities fall under six categories: (1) early identification of hypertension, (2) physical fitness, (3) alcohol and drug abuse prevention, (4) smoking cessation and prevention, (5) nutrition, and (6) stress management. The health promotion programs GAO reviewed at three military installations appeared comparable to those of the four private sector firms GAO contacted. Although studies of private sector health promotion programs have been done, the costs and benefits are hard to assess because certain common design problems limit the representativeness of the studies and the extent to which they are able to quantify and link benefits to health promotion interventions. Cost-benefit studies have not been done on DOD programs, in part because DOD has not collected cost information on its health promotion activities. DOD's health promotion program will be an important part of its efforts to reach its health goals for the year 2000, but the program needs certain enhancements, such as the development of baseline program data on the health status and behavior of its target groups, like active duty members and retirees.

**Government Contracting:
Reimbursement of Foreign Selling Costs**

GAO/NSIAD-91-1, June 7 (42 pages).

Legislation passed in 1989 allows defense contractor costs in promoting the export of U.S. defense industry products to be reimbursed by the government for a three-year trial period. Making foreign selling costs allowable on U.S. government contracts does not appear to provide the desired effect of stimulating exports of defense industry products, however. Foreign marketing decisions are not greatly influenced by contract cost principles on reimbursing foreign selling costs. GAO found no convincing evidence that reimbursing foreign selling costs on U.S. government contracts was likely to yield incremental cost savings to the U.S. government. No federal cost principle or criterion exists that would ensure such savings, and it is doubtful whether one could be devised. When foreign selling costs were unallowable for reimbursement under U.S. government contracts, the U.S. government did not reimburse these costs. However, the foreign customers reimbursed these costs when they

were allocated to foreign contracts. GAO believes that the U.S. government reimbursement of such costs should stop.

**Army Supply Management:
System for Issuing Replacement Clothing to Army Reservists
Should Be Changed**

GAO/NSIAD-91-136, June 11 (31 pages).

The Issue-in-Kind system used by the Army and the National Guard to provide replacement clothing to their members lacks internal controls and, as a result, is subject to waste and abuse. The reserve components have not established criteria to limit how often clothing items can be replaced, and they do not maintain systems for independently monitoring the issue of clothing. Their procedures do not ensure that old items are turned in when new ones are issued. Moreover, their accounting procedures do not adequately identify replacement clothing costs. By replacing the current system with a monetary clothing allowance, GAO estimates that the Army could save \$6.6 million annually. This change also would reduce the administrative work load of unit supply personnel. In addition, the Army could save at least \$1.4 million annually if it discontinued operation of the 53 National Guard clothing issue points and used the active Army's supply system instead.

**Defense Logistics:
Observations on Private Sector Efforts to Improve Operations**

GAO/NSIAD-91-210, June 13 (19 pages).

Private sector firms have discovered that integrated logistics management can help reduce costs and increase competitiveness. Total cost analysis and top management commitment have played a major part in the implementation of integrated logistics management. In addition, companies have found it useful to systematically compare their logistics with those of other organizations—a practice known as “benchmarking.” DOD has made steps in the right direction, including several ongoing initiatives designed to emphasize economy and efficiency in logistics operations. DOD also may be able to benefit from these private sector experiences in improving its logistics operations.

**Department of Defense:
Professional Military Education at the Four Intermediate Service
Schools**

GAO/NSIAD-91-182, June 13 (34 pages).

A primary objective of the Goldwater-Nichols Reorganization Act of 1986 was to strengthen combined and joint operations of the various military services. To fulfill this objective, the House Armed Services Committee created the Panel on Military Education, which made several recommendations on joint education as part of professional military education in an April 1989 report. The intermediate service schools have taken positive action on at least 90 percent of the applicable Panel recommendations, but some recommendations on curriculum, faculty, and students have not been fully adopted. These recommendations included some that the Panel characterized as the most important, commonly referred to as "key recommendations." In some areas, differences exist between the Panel report and the Military Education Policy Document, guidance issued by the Chairman of the Joint Chiefs of Staff. In those cases in which Panel recommendations have not been fully adopted, schools are following the Document, which sets minimum and not absolute requirements.

**Department of Defense:
Professional Military Education at the Three Senior Service Schools**

GAO/NSIAD-91-202, June 20 (31 pages).

The senior service schools reported that they have taken positive action on at least 90 percent of the recommendations made by the Panel on Military Education, but some key recommendations concerning faculty and students have not been fully adopted. In some areas, differences exist between the Panel report and the Military Education Policy Document, guidance issued by the Chairman of the Joint Chiefs of Staff, because the two documents were written with different purposes in mind. The Panel's purpose was to assess the ability of professional military education senior service schools to develop joint specialty officers. As a result, the Panel's recommendations focus on joint professional military education at senior schools. The purpose of the Military Education Policy Document, broader in scope than the Panel's, was to define the objectives and policies regarding all institutions comprising the military education system. It outlines the joint professional military education curricula at service and other schools.

**Navy Homeports:
Expanded Structure Unnecessary and Costly**

GAO/NSIAD-91-158, June 14 (72 pages).

During the early 1980s, in conjunction with its goal of a 600-ship fleet, the Navy planned to expand the number of homeports. Since then, the international situation has changed, the defense budget has decreased, and a smaller fleet is planned. Navy projections now show that instead of increasing, fleet projections will decrease from 545 ships in fiscal year 1990 to 451 ships by fiscal year 1995. GAO's detailed review of the new homeports found that the program will not fulfill most of the original strategic objectives. Furthermore, the ships scheduled for the new homeports can likely be accommodated at existing homeports, even with the closures recommended by DOD in April 1991. DOD believes that the Navy adequately considered all homeports in deciding to retain the new homeports while recommending that others be closed. In reviewing DOD's base closure process and recommendations, however, GAO found that the Navy had insufficient support for its decisions. By ending the homeporting program now, the federal government could achieve a one-time savings of up to \$593 million. In addition, annual operations and maintenance savings of about \$57 million could result from berthing the ships scheduled for the new homeports at the existing homeports.

**Operation Desert Shield/Storm:
Use of Naval and Marine Corps Reserves**

GAO/NSIAD-91-244, June 14 (five pages).

The Navy activated 21,109 reservists, or 17 percent of the Navy reservists available for call up. These reservists were mainly called up for their individual skills; medical reservists, for example, accounted for about half of the Navy reservists activated. The Marine Corps activated 25,710 reservists, or 61 percent of the reservists available from the Select Reserve. These individuals were primarily called up by unit, rather than by individual skill, and served in combat and combat support units that augmented active units. The remaining reservists were in combat support units like logistics. Some Navy and Marine Corps reservists were activated after the cease-fire to provide logistical support in the redeployment of personnel and equipment to the United States. According to Navy and Marine Corps officials, no more Navy and Marine Corps reservists will be needed.

**Army Family Housing:
Additional Dwelling Units Not Justified at Fort Campbell**

GAO/NSIAD-91-101, June 19 (37 pages).

The Army has not justified the construction of 300 additional family housing units at Fort Campbell, Kentucky. The Army incorrectly estimated key factors in its model to determine the need for housing. More importantly, the Army's model for determining housing needs—which is now being revised—has a basic shortcoming in that it does not allow price to equate the quantity of housing demanded to the quantity supplied and, thus, may indicate a need for housing where none exists. In addition, the Corps of Engineers' survey of rental housing appears to have significantly understated existing rental housing in the Fort Campbell area.

**Missile Procurement:
AMRAAM's Reliability Is Improving, but Production Challenges Remain**

GAO/NSIAD-91-209, June 20 (32 pages).

This report examines the status of the Advanced Medium Range Air-to-Air Missile at the scheduled full-rate production milestone. While tests have successfully demonstrated additional critical performance requirements and improved reliability, design and manufacturing changes have disrupted production. GAO concludes that additional tests are needed to measure the missile's operational effectiveness and suitability. Contractor missile deliveries are behind schedule and many of the problems that have delayed production have not been fully resolved. As a result of these delays, the Air Force extended the contractors' delivery schedule. GAO believes that Congress should reduce the Air Force's and the Navy's fiscal year 1992 budget requests by a total of \$156.2 million for 314 missiles because funding for them can be delayed.

Natural Resources

**Coal Mine Subsidence:
Several States May Not Meet Federal Insurance Program Objectives**

GAO/RCED-91-140, May 28 (16 pages).

Coal mine subsidence, a gradual settling of the earth's surface above the site of an underground mine, can damage nearby land and property. To help protect property owners, Congress passed legislation in 1984 providing states with up to \$3 million to create self-sustaining, state-administered insurance programs. After five years under the subsidence insurance program, two of the six states participating—Indiana and Ohio—may not be progressing toward self-sustainability. The root cause appears to be inadequate participation in the program by eligible property owners. If the participation rate is too low to generate enough premium income, the risk greatly increases that a major subsidence incident could threaten the fund's solvency. While the program is state-administered, federal grant money is being used to fund program operations. Accordingly, as the federal agency managing the use of the funds, the Department of the Interior's Office of Surface Mining Reclamation and Enforcement is responsible for ensuring that grants are awarded for the purpose intended and that the grant recipients are making appropriate progress toward achieving grant objectives. The Office has taken a passive role in managing these grants, however, and has not provided the oversight necessary to ensure that program objectives are being met.

**Federal Lands:
Improvements Needed in Managing Concessioners**

GAO/RCED-91-163, June 11 (20 pages).

No single law governs recreation concession operations on federal lands, and no agency maintains a complete data base identifying the number and types of concession agreements. Further, total compensation to the federal government for the use of its recreational resources cannot be calculated because of incomplete financial data and nonfee considerations that are unreported. GAO believes that the deteriorating condition of federal recreation resources and the need to ensure a fair return for the use of public assets dictate development of a consistent policy for managing concession operations. Developing a consistent policy, however, will be difficult and will require informed debate on issues such as (1) where the funding will come from to maintain and preserve federal resources, (2) how concession contracts should be awarded in the future, and (3) what is a fair return to the federal government. However, before debate can begin, federal agencies must develop better information on concession agreements and operations.

**Rangeland Management:
Forest Service Not Performing Needed Monitoring of Grazing
Allotments**

GAO/RCED-91-148, May 16 (eight pages).

Are federal grazing allotments being threatened with damage because more domestic livestock—mainly cattle and sheep—are being permitted to graze than range managers believe the land can support? According to range managers, one-quarter of the 9,200 grazing allotments in the Forest Service's six western regions are in a declining condition and/or overstocked. This recognition of the size and the extent of the problem is a valuable first step towards improved rangeland management; however, much more remains to be done. In particular, the Forest Service has made little progress in conducting the follow-up monitoring necessary to identify improper grazing practices and devise corrective action. GAO's review of five district offices in four national forests confirmed that while the Forest Service is concentrating its limited resources on monitoring problem allotments, three out of four of these allotments were not being monitored. The Forest Service cites staffing and budget constraints, along with the demands of competing land management responsibilities, as the reasons for the limited monitoring.

**Rangeland Management:
Current Formula Keeps Grazing Fees Low**

GAO/RCED-91-185BR, June 11 (33 pages).

GAO believes that the soundness of the existing formula for computing grazing fees on most federal lands must be viewed in the context of the main objective to be achieved. The current formula succeeds in promoting the economic stability of western livestock grazing operators with federal permits by keeping grazing fees low. The formula must be viewed as less successful, however, if other objectives are considered. For instance, it does not recover reasonable program costs or provide a revenue base for better managing and improving federal lands so that they will remain a productive public resource in the future. Relatively low fees are an inherent result of the existing formula's design, which heavily weighs in factors that measure rancher "ability to pay." As a result, the federal grazing fee is actually 15 percent lower today than it was 10 years ago. This contrasts with a 17-percent increase in private grazing land lease rates over the same period.

**Mineral Resources:
Increased Attention Being Given to Cyanide Operations**

GAO/RCED-91-145, June 20 (38 pages).

Beginning in the 1970s, as gold soared from about \$35 an ounce to over \$350 an ounce, processing technologies were refined to permit the extraction of as little as 0.02 ounces of gold from a ton of low-grade ore. These technologies rely on cyanide solutions that are held in ponds of up to 500 acres. This report examines the environmental consequences of mining operations that use cyanide to extract gold and other minerals on federal lands. Cyanide operations can be hazardous to both wildlife and the environment if effective precautions are not taken. Ponds containing cyanide attract wildlife, including migratory waterfowl, with lethal consequences; over a five-year period, cyanide operators on federal land in three Western states reported over 9,000 wildlife deaths due to cyanide poisoning. Recently developed mitigation measures can prevent most such cyanide-related bird deaths. GAO identified 31 inadvertent cyanide discharges from cyanide operations on federal land since 1984. Federal and state officials believe that these discharges resulted in minimal environmental damage because cyanide tends to break down quickly and discharges have usually occurred in remote, arid areas. Since a 1986 incident in which large numbers of birds died at a cyanide operation on land managed by the Bureau of Land Management in Nevada, federal and state oversight of this matter has increased. However, the Forest Service, which has few cyanide operations on the land it manages, has not developed a specific cyanide policy because it believes that its existing land management authorities are adequate for regulating cyanide operations.

Testimony

Public Land Management: Observations on Management of Federal Wild Horse Program, by James Duffus III, Director of Natural Resources Management Issues, before the Subcommittee on Interior and Related Agencies, Senate Committee on Appropriations. GAO/T-RCED-91-71, June 20 (six pages).

GAO shares the view of the Bureau of Land Management that the management problems associated with the wild horse program are among the most difficult that the Bureau faces. Satisfying the dual mandate of protecting the wild horse population and also preventing deterioration of the rangelands they roam is not an easy task. Furthermore, some of the agency's past management techniques, particularly those involving

mass disposal of horses taken from the range, have either been rejected by the public and Congress or are proving to be unworkable. After years of effort and the expenditure of millions of dollars, the same basic problems remain. GAO believes that management approaches built on an overall rangeland strategy that addresses the impact of domestic livestock and wildlife in addition to wild horses are needed. Recently, BLM has signaled its commitment to public land management that better balances the interests of its traditional users—including livestock grazing and mineral development—with those of more recently recognized needs, like wildlife protection and outdoor recreation. GAO is hopeful that this approach will yield workable solutions to the wild horse management problem.

Science, Space, and Technology

NASA Personnel: Shortages of Scientists and Engineers Due to Retirements Unlikely in the 1990s

GAO/NSIAD-91-185, June 17 (28 pages).

The age profile of NASA scientists and engineers is skewed toward the over-44 and under-35 age groups, with relatively fewer of these professionals in between. Despite their eligibility, older employees are not likely to retire in large enough numbers to create a serious shortage of experienced personnel during the 1990s. Overall, NASA is able to recruit the number of highly qualified scientists and engineers that it needs, even though it does not always gets its first choices. NASA has had some difficulty, however, obtaining highly specialized scientists and engineers in areas like microgravity, robotics, and artificial intelligence. Agency officials expect shortages in these areas to become even more severe as these fields take on more importance in the 1990s.

Social Services

Administration on Aging: More Federal Action Needed to Promote Service Coordination for the Elderly

GAO/HRD-91-45, April 23 (30 pages).

Elderly Americans fear institutionalization in nursing homes, and in national polls they have expressed a desire to live in their own homes as long as possible. To maintain their independence, the elderly need an

array of home and community-based services, including meal preparation, home health care, and assistance with bathing and other personal needs. About 6 million elderly need such services today, and this population is expected to grow to about 10 million by 2020. Despite its mandate to promote better coordination of services for the elderly, the Administration on Aging's efforts in the 1980s did not keep pace with growing coordination needs. Management decisions and cuts in federal resources reduced technical assistance and information dissemination necessary to foster coordination at the state and local levels. In effect, the Administration on Aging withdrew from the "aging network" it had helped to create. As a result, its knowledge base, largely acquired from direct contact with state and local agencies, eroded and its capacity to provide assistance weakened. Improving the efficiency and quality of services provided through stronger coordination will continue to be important in the 1990s as an aging population increases the demand for home and community-based services. The federal government has a direct stake in strengthening coordination because it shares in the cost of financing these services. GAO believes that the Administration on Aging, through more efficient use of its resources, is in a unique position to promote coordination in the 1990s via the aging network.

Testimony

The Administration on Aging: Harmonizing Growing Demands and Shrinking Resources, by Eleanor Chelimsky, Assistant Comptroller General for Program Evaluation and Methodology, before the Subcommittee on Human Services, House Select Committee on Aging. GAO/T-PEMD-91-9, June 12 (37 pages).

GAO testified on (1) the match between Administration on Aging's resources, on the one hand, and its mandated mission and services, on the other; (2) how the Administration on Aging provides technical assistance and oversight to state units on aging; and (3) whether the technical assistance provided by the Administration on Aging meets the needs of state units on aging. GAO believes that more consideration needs to be given to the impact of declining staff and travel funds on the ability of the Administration on Aging to perform its oversight functions and to deliver the required technical assistance to state units and area agencies on aging. GAO also believes that the technical assistance needs of the state units on aging need to be better identified, prioritized, and resolved. Finally, it seems likely that some overall conciliation process will be needed to harmonize the Administration on Aging's increasing responsibilities, the elderly population's growing demands for service, and shrinking funds.

Access to and Utilization of the Ombudsmen Program Under the Older Americans Act, by Eleanor Chelimsky, Assistant Comptroller General for Program Evaluation and Methodology, before the Subcommittee on Aging, Senate Committee on Labor and Human Resources. GAO/T-PEMD-91-11, June 13 (28 pages).

The national ombudsmen program was created in 1975 in response to incidents of grossly inadequate care and abuse of residents in nursing homes. Ombudsmen investigate and resolve complaints made by or on behalf of residents, monitor laws governing elderly persons living in facilities, and provide information on long-term care options. The Administration on Aging, through its 10 regional offices, oversees and distributes funds earmarked for state ombudsmen programs. The Administration on Aging also provides technical support and guidance to state and local ombudsmen, collects data on their activities from each state, and presents a yearly summary report to Congress. GAO testified on (1) use of the ombudsmen program by nursing home or board and care residents and how that use varies across states, (2) barriers preventing access by ombudsmen to residents, and (3) the likely impact of the program, as well as what impact data are being collected by the Administration on Aging and the states.

Tax Policy and Administration

Tax Administration: Information on Revenue Agent Attrition

GAO/GGD-91-81, June 10 (20 pages).

The Internal Revenue Service's appropriations for fiscal years 1987 and 1988 included funding for the hiring of about 5,000 additional Examination staff. The purpose of this initiative was to generate more revenue through increased audits of tax returns. Most of the additional positions were for revenue agents who would be responsible for auditing the more complex and higher yielding tax returns. This report (1) discusses the extent to which revenue agents left IRS between March 1987 and April 1990, how long those agents had been with IRS before they left, and why they left and (2) assesses the impact of GAO's findings on IRS' methodology for estimating examination revenues.

Tax Administration: Better Training Needed for IRS' New Telephone Assistors

GAO/GGD-91-83, June 12 (53 pages).

IRS' telephone assistance program is the agency's main vehicle for answering taxpayer questions. Tests done by GAO in 1988 and 1989 showed that IRS assistors incorrectly answered about one-third of the tax law questions they were asked. GAO is encouraged, however, by the recent improvement in IRS' telephone accuracy rates and believes that enhanced probe and response guides provided to IRS telephone assistors may have helped. GAO agrees with IRS that further training improvements are needed to continue reducing the error rate. GAO has identified areas needing improvement that can better ensure that assistor trainees completing the program are adequately prepared for the job. Materials used in the course have not been adequately evaluated for effectiveness, and the task forces that developed these materials lacked experience and training in writing course materials. Classroom written tests did not adequately measure knowledge and skills, and the certification process—which is intended to verify that trainees are ready to work independently—did not measure overall job readiness. Problems with the training program may be further heightened by the current policy for selecting instructors, which does not ensure that only capable instructors teach the course.

**Collecting Back Taxes:
IRS Phone Operations Must Do Better**

GAO/IMTEC-91-39, June 18 (24 pages).

Taxpayers owed over \$96 billion in delinquent taxes, penalties, and interest at the end of fiscal year 1990. This report examines one method the IRS uses to collect taxes, the Automated Collection System, which is used to telephone delinquent taxpayers, receive calls from taxpayers, and retrieve information from taxpayers' accounts. GAO concludes that while the system is an improvement over the manual system it replaced, IRS needs to do a better job of running its sites if it is going to collect more money owed to the government. The problems with call site operations are fundamental. Call sites need to stay open when good business practice says they should be open, answer the phone after telling customers to call, and reduce the time employees spend doing things other than collecting taxes. Technology alone will not solve these problems. IRS needs to analyze call site operations, get better data to measure performance, and explore fundamental changes to the way it collects taxes through the Automated Collection System. Private industry, with its vast experience in debt collection, could help. Under current law, IRS cannot involve private companies in collecting taxes, but it can learn from them and thereby improve call site operations.

**Tax Administration:
A Generally Successful Filing Season in 1991**

GAO/GGD-91-98, June 28 (16 pages).

IRS' performance during the 1991 filing season was generally successful. The accuracy of IRS responses to taxpayer tax law questions was up; tax forms and publications were more readily available to the public; processing errors by service center staff continued to decline; 7.5 million taxpayers filed returns electronically, up 79 percent over 1990; and more taxpayers filed the simpler form 1040A than in 1990. One area of concern is that taxpayers continue to have difficulty reaching an IRS telephone assistor.

Testimony

IRS Needs to Implement a Corporate Document Matching Program, by Richard L. Fogel, Assistant Comptroller General for General Government Programs, before the Subcommittee on Commerce, Consumer and Monetary Affairs, House Committee on Government Operations. GAO/T-GGD-91-40, June 10 (29 pages).

GAO concludes that the time has come for a document matching program for investment-type income earned by corporations. Growing budget deficits, increasing corporate noncompliance, and declining audit coverage all point to the need for a matching program similar to the one that has so effectively promoted voluntary compliance and full income reporting for the vast majority of U.S. wage earners. IRS does not have all the tools it needs to deal effectively with business tax noncompliance, however, and the higher noncompliance rate among small corporations reflects this. The business information returns program is one tool that could help elevate voluntary compliance in this important sector to the levels already achieved by the vast majority of wage earners.

Ongoing GAO Assignment Is Examining Luxury Excise Taxes, by Jennie S. Stathis, Director of Tax Policy and Administration Issues, before the Subcommittee on Taxation and Debt Management, Senate Committee on Finance. GAO/T-GGD-91-44, June 12 (four pages).

New luxury taxes went into effect on January 1, 1991, on the following items: boats costing over \$100,000, cars costing over \$30,000, airplanes costing over \$250,000, and jewelry and furs costing over \$10,000. The seller remits the tax to IRS, which is 10 percent of the price over these threshold amounts. This testimony discusses GAO's ongoing work in this

area, which includes evaluating IRS' current efforts and future plans to collect luxury excise taxes, identifying compliance and policy issues arising from the design of the tax, estimating the relative tax incidence on producers and consumers of these products, and examining the impact on the boating industry.

Management Challenges Facing IRS, by Paul L. Posner, Associate Director for Tax Policy and Administration Issues, before the Senate Committee on Governmental Affairs. GAO/T-GGD-91-20, June 25 (28 pages).

IRS' inventory of billed but unpaid taxes is pushing \$100 billion, and up to half of this may have to be written off because of lagging collections. Other challenges facing IRS include providing assistance to over 70 million taxpayers, processing over 200 million tax returns, collecting and accounting for over \$1 trillion in revenues, and narrowing the \$100 billion a year tax gap. In GAO's view, the old way of doing business can no longer handle IRS' current workload and demands, let alone carry the agency into the 21st century. New management strategies at IRS—including strategic planning, financial management, compliance initiatives, and an \$8 billion computer modernization effort—appear promising, GAO testified.

Transportation

Aircraft Maintenance: Additional FAA Oversight Needed of Aging Aircraft Repairs

GAO/RCED-91-91A and GAO/RCED-91-91B, May 24 (71 pages and 57 pages).

To ensure that 1,400 of the nation's oldest planes remain airworthy, the Federal Aviation Administration is requiring that the aircraft undergo extensive structural modification. Aircraft operators have until 1994 to finish the job; if they do not, FAA could ground the planes. The first volume of this report describes that portion of the industry that performs heavy airframe maintenance on large transport aircraft. Specifically, it examines increases in demand for heavy airframe maintenance; constraints on supply, including parts, skilled mechanics, and hangar space; and air carriers' efforts to comply with the new requirements for aging aircraft and the FAA's oversight of air carriers as they attempt to comply with the new rules. The second volume provides the questionnaire responses of the 48 air carriers and 35 independent repair stations participating in GAO's review of the issues examined in the first volume.

**Highway Demonstration Projects:
Improved Selection and Funding Controls Are Needed**

GAO/RCED-91-146, May 28 (12 pages).

Although the federal funds authorized in 1987 for demonstration projects represented a three-fold increase over the previous authorization level, the funds will clearly fall far short of the amount needed to complete the projects. Equally important, the funds were often authorized for projects that were not a state or regional priority. In some cases, local road projects that are not a part of the federal-aid highway system would have been ineligible for federal funds in the absence of their demonstration designation. Since transportation needs far outstrip available resources, federal funds should be targeted to the most significant transportation problems confronting the nation. GAO believes that the way such projects are selected and funded could be improved. GAO also believes that funds authorized for projects that have been inactive since 1987, and are likely to remain so, should be directed to other transportation projects or be returned to the Treasury. About \$25 million authorized in 1987 for seven demonstration projects may never be used because there has been no project activity.

**Mass Transit Grants:
Scarce Federal Funds Misused in UMTA's Philadelphia Region**

GAO/RCED-91-107, June 13 (25 pages).

GAO recently began a special audit to identify federal programs at high risk for waste, fraud, abuse, and mismanagement and to ensure that corrective action is taken. This effort encompasses 16 areas, one of which is the Department of Transportation's Urban Mass Transportation Administration grants. Grantees have the primary responsibility for ensuring that they properly spend scarce federal transit funds. Although it did not examine whether all grantees in Region III—headquartered in Philadelphia, Pennsylvania—complied with federal requirements, GAO concludes that mass transit grants are vulnerable to waste and mismanagement. Since federal money is limited and mass transit demands are large, grantees need to have controls over fund usage to meet federal requirements and to ensure that funds are used appropriately, prudently, and effectively. While UMTA headquarters has acknowledged the need for more effective oversight of grantees, Region III has continued a hands-off approach to monitoring of grantees. Until UMTA exercises stronger oversight and ensures better grantee management

controls, the significant federal investment in mass transit will remain at risk.

Testimony

Mass Transit: Significant Federal Investment Is Not Adequately Protected, by Kenneth M. Mead, Director of Transportation Issues, before the Subcommittee on Transportation, House Committee on Appropriations. GAO/T-RCED-91-68, June 12 (19 pages).

GAO testified on the Urban Mass Transportation Administration's oversight of its grant programs and on proposals to increase funding flexibility between mass transit and highways and to reduce the federal share for transit assistance. With the nation's mass transit needs outstripping available funding, it is particularly important that UMTA ensure that scarce resources are used judiciously, prudently, and effectively and that grant recipients manage federal funds in the most efficient and economical manner possible. UMTA needs to give close attention to program planning and oversight to avoid the deficiencies of the present system and to ensure the best use of limited federal transit dollars in the future. GAO supports defining mass transit objectives in the context of a nationwide surface transportation system and sees merit in providing funding flexibility between mass transit and highways. Nevertheless, the biases that favor highways over mass transit must be addressed and overcome for multimodal flexibility to succeed. Finally, GAO believes that caution must be exercised in immediately shifting significant cost-sharing responsibilities to transit authorities. Such a move may harm service levels or increase ridership costs.

FAA Budget: Key Issues in Facilities and Equipment and Operations Accounts Need Resolution, by Kenneth M. Mead, Director of Transportation Issues, before the Subcommittee on Transportation and Related Agencies, House Committee on Appropriations. GAO/T-RCED-91-58, June 5 (21 pages); and

FAA Budget: Key Issues in Facilities and Equipment and Operations Accounts Need Resolution, by Kenneth M. Mead, Director of Transportation Issues, before the Subcommittee on Transportation and Related Agencies, Senate Committee on Appropriations. GAO/T-RCED-91-63, June 14 (21 pages).

Continuing an upward trend, the Federal Aviation Administration's fiscal year 1992 budget request of \$9.27 billion represents a 14-percent increase over its fiscal year 1991 budget. Since 1988 FAA's total request

level has risen by 60 percent. The largest components of the budget are (1) the facilities and equipment account that funds air traffic control modernization and (2) the operations account that provides salaries and training for the FAA work force. GAO testified that the costs of FAA's modernization program continue to rise and FAA faces a series of obstacles in completing this effort. FAA can take measures, however, to help minimize the risks and costs and to more efficiently use its work forces.

Delays in Critical Air Traffic Control Modernization Projects Require Increased FAA Attention to Existing Systems, by JayEtta Z. Hecker, Director of Resources, Community, and Economic Development Systems Issues, before the Subcommittee on Transportation and Related Agencies, Senate Committee on Appropriations. GAO/T-IMTEC-91-14, June 14 (12 pages).

GAO testified on delays and problems in two of the Federal Aviation Administration's most critical air traffic control modernization projects: the Voice Switching and Control System and the Advanced Automation System. Delays in these two major systems mean that FAA will operate existing automated systems longer than originally expected. In addition, because these aging systems have already experienced problems, increased FAA management attention is warranted.

Veterans Affairs

VA Health Care: Inadequate Controls Over Addictive Drugs

GAO/HRD-91-101, June 6 (20 pages).

Drug abuse in the United States is not limited to illegal drugs like heroin and "crack" cocaine; about 8.6 million Americans misused prescription drugs last year, and health care workers are particularly susceptible to such abuse because of their access to prescription drugs. The Department of Veterans Affairs has inadequate internal controls over many addictive prescription drugs used in its health care system. Too many employees have access to pharmacy stocks of these drugs, and stocks are rarely inspected. Because of these weaknesses, pharmacy employees have been able to steal a wide range of prescription drugs for years. VA managers often became aware of these thefts, which sometimes totaled thousands of doses, only after law enforcement agencies notified them of criminal activities involving VA drugs. In addition, large amounts of addictive prescription drugs may have been stolen without VA managers

ever detecting the thefts. GAO summarized this report in testimony before Congress; see:

Controls Over Addictive Drugs in VA Pharmacies, by David P. Baine, Director of Federal Health Care Delivery Issues, before the Subcommittee on Oversight and Investigations, House Committee on Veterans' Affairs. GAO/T-HRD-91-36, June 19 (seven pages).



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